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REPLY TO:

Eastern District
Auditor General
Comptroller, USAF
Liaison Office
Washington, D.C.

9 January 1959

SUBJECT: Interim Audit Report
Contract AF33(600)-35906
Haller, Raymond and Brown
State College, Pa.

TO : Contracting Officer

1. Contract Data: Haller, Raymond and Brown was awarded cost-plus-fixed-fee Contract No. AF33(600)-35906 on 28 August 1957. By Amendment No. 6 completion date was extended to 31 December 1958.

2. Compensation Provisions: The contract provides for reimbursement of costs of \$238,667.98 and fixed fee of \$16,706.75. In addition to the usual contract cost determinates, there has been provided by Amendment No. 6 dated 30 November 1958, reimbursement of "the cost of general research and development.....as approved by the Government shall be considered allowable costs under the contract." Unless specifically directed otherwise, the Auditor will not recognize the aforementioned costs as properly allocable to the subject contract for the year 1957 for the following reasons:

a. Overhead for the year 1957 has been negotiated by the cognizant procurement activity without the inclusion of General Research costs in the expense pool.

b. The date of the Amendment (30 Nov. 1958) would indicate that the intent was not retroactive.

3. Negotiated Overhead Rates: Clause 34 of the contract provides for the negotiation of overhead rates in accordance with prescribed procedures.

A meeting was held at the Philadelphia Air Procurement District for the purpose of negotiating overhead and G & A rates for the calendar year 1957. The following are the results of the negotiation:

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Subj: Interim Audit Report, Contract AF33(600)-35906, Haller, Raymond
and Brown, State College, Pa. (Cont'd)

Engineering G & A
Overhead Expense

25X1A

It is recommended that the subject contract be amended to include the following rates applicable to the period 1 January 1957 through 31 December 1957:

Engineering Overhead

G & A Expense (a)

25X1A

(a) Inclusion of Basic Research

25X1A

The Contractor's Controller advised the Auditor that he (Contractor) is protesting to the cognizant audit agency the method used in developing the basis for computing the rates. The method used by the audit agency has been and is recognized as the proper and equitable manner for computation of rates. In fact, the Contractor's protest is now academic, for the Contractor has agreed to the rates as negotiated. The foregoing information is furnished for the reason that Contractor may seek to delay acceptance of the Amendment.

4. Conclusion: Upon completion of the contract performance, a contract audit closing statement will be submitted. It is contemplated that the overhead negotiations for the year 1958 will be consummated in March of 1959.

WALTER H. GROSS
Liaison Officer
Eastern District
Auditor General

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24 July 1958
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Haller, Raymond and Brown, Inc.
State College, Pennsylvania

25X1A

Attention: [REDACTED]

Gentlemen:

Our Auditor recently performed a survey of your records, procedures, and controls of Government property.

Enclosed, for your information, is a copy of his report.

Very truly yours,

25X1A

[REDACTED]
Contracting Officer

Distribution:

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